



**Comptroller General
of the United States**

Washington, D.C. 20548

Decision

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Matter of: Madison Services, Inc.

File: B-271306; B-271306.2

Date: June 13, 1996

Christopher Solop, Esq., and Lynn Hawkins Patton, Esq., Ott & Purdy, for the protester.

Daniel J. Riley, Esq., and Jeffrey A. Stonerock, Esq., Baker & Botts, L.L.P., for Baker Support Services, Inc., an intervenor.

Clarence D. Long III, Esq., and Martin F. McAlwee, Esq., Department of the Air Force, for the agency.

Susan K. McAuliffe, Esq., and Michael R. Golden, Esq., Office of the General Counsel, GAO, participated in the preparation of the decision.

DIGEST

1. Protester's contention that agency improperly evaluated proposals is denied where the record shows that the agency evaluated proposals in accordance with the criteria announced in the solicitation, and the record reasonably supports the evaluators' conclusions.

2. Agency properly made award to offeror that submitted higher-priced, lower-risk proposal where agency reasonably determined that award to protester based upon its proposed limited manning presented a moderate risk of performance, and that the awardee's higher-priced, lower-risk proposal, which was reasonably evaluated as having additional comparative strengths, was worth the cost premium involved.

DECISION

Madison Services, Inc. protests the award of a contract to Baker Support Services, Inc. under request for proposals (RFP) No. FO8650-94-R-0032, issued by the Department of the Air Force for military family housing maintenance services at Patrick Air Force Base, Florida. Madison contends that the agency improperly evaluated proposals and awarded the contract to Baker at a higher price than proposed by Madison.

We deny the protest.

The RFP, issued on May 2, 1995, sought proposals for military family housing maintenance services, including maintenance management, service calls, change-of-occupancy management, pest management, recurring equipment maintenance, and facility maintenance. The RFP's performance work statement reflects an increase in service requirements from those required under previous contracts to service the more than 1,600 housing units and facilities at three geographically separated housing units. The RFP contemplated the award of a fixed-price-award-fee contract for a base period plus 4 option years. Section M of the RFP provided that award was to be made to the offeror which the government determined can best satisfy the objectives and requirements set forth in the solicitation, in a manner most advantageous to the government. The three equally weighted factors for evaluation were cost, technical/management, and performance. Each technical/management proposal, which included the offeror's proposed manning, was to be assigned a color rating (blue, green, yellow, or red) for evaluation purposes as well as an independent "proposal risk" rating (high, moderate, or low) reflecting "how likely the proposed approach will actually be achieved" considering "the probability of success, the impact of failure, and the alternatives available to meet the requirement." Each proposal was to be assigned a separate "performance risk" rating (high, moderate, or low) under the RFP's performance evaluation factor (which included subfactors for availability of or ability to obtain financial resources to perform the contract, and performance history.)

Eleven firms submitted initial proposals in response to the RFP, the proposals were evaluated, one proposal was rejected for its numerous deficiencies, and discussions were conducted with the remaining 10 offerors. Best and final offers (BAFO) were received and evaluated. Several firms, including the incumbent contractor, submitted proposals that were higher rated technically, but which were considerably higher priced, than the Baker and Madison proposals. The Baker and Madison proposals received the same performance risk rating of low, and the same color rating (green, indicating a rating of acceptable) under the technical/management factor. Madison's proposal received a moderate proposal risk rating due to its limited proposed manning of [deleted] employees; Baker's proposal received a low proposal risk rating--Baker proposed a manning level of [deleted] employees. Madison submitted the lowest cost proposal (at \$[deleted]) of the 10 BAFOs received under the RFP. Baker's cost proposal (at \$15,842,812) was the fourth lowest priced of the BAFOs received (i.e., six BAFOs were higher priced) and Baker's proposed cost was lower than the agency's cost estimate (of \$[deleted]). The findings of the source selection evaluation team, as well as a proposal analysis report, were submitted to the source selection authority (SSA) who, after a comparative review of proposal strengths and weaknesses, costs, and risks involved with each proposal, selected Baker's proposal for award. Following an agency debriefing with the protester regarding the evaluation of its proposal, Madison filed this protest.

PROTESTER'S CONTENTIONS

Madison protests that the agency's evaluation of the Baker and Madison proposals was improper regarding the assessment of proposal risk and performance risk, and that this miscalculation renders erroneous the source selection decision based on these factors. Madison also argues that the agency's technical/cost decision to award to Baker at a \$[deleted] million cost premium was unreasonable.

ANALYSIS

Evaluation of Proposals

In reviewing a protest challenging an agency's technical evaluation, we examine the record to ensure that the agency's evaluation was reasonable and consistent with the stated evaluation criteria. See Lloyd-Lamont Design, Inc., B-270090.3, Feb. 13, 1996, 96-1 CPD ¶ 71. With respect to the protester's challenges to the evaluation of proposals, we have reviewed the proposals, and the full evaluation record (including the evaluator work sheets, the team evaluation narratives, and the proposal analysis report), and find no basis for questioning the evaluation.

Proposal Risk Assessment

Madison's proposal earned an "acceptable" (green) rating for the technical/management factor, which included manning as a subfactor, but the protester's proposed limited manning caused the evaluators to assign a moderate "proposal risk" to the protester's proposal. The protester asserts that the agency unreasonably assigned a moderate "proposal risk" to its proposal since its manning level was acceptable and insufficient weight was given to the protester's successful performance history.

Madison's initial proposal offered a manning level of [deleted] full-time employees. During discussions, the protester was told that its manning was too low. In its BAFO, Madison increased its manning to [deleted] employees (including subcontractor employees). The government manning estimate for the RFP's requirements is [deleted] employees--this estimate was derived from the agency's consideration of the manning level of the predecessor contract ([deleted] employees) and the increase in performance requirements under the current RFP compared to the prior contract (e.g., the addition of carpet cleaning, sprinkler system maintenance, and pest control services for the approximate 1,600 housing units and facilities).

The evaluators were concerned that Madison's limited staffing, in the absence of an adequate explanation in the proposal regarding its proposed approach, had the potential to cause performance problems and degradation of services. Although a

noted strength of the protester's proposal was Madison's intended [deleted] of employees (which the agency recognized as a generally favorable approach in performing this type of contract), the evaluators found that [deleted] alone was insufficient to ensure successful performance in light of the proposed manning.

There is nothing unreasonable in these conclusions.¹ Using fewer employees to perform a contract is a legitimate strategy that will reduce the cost of performance. However, such an approach also reasonably can be expected to result in more situations where an employee may not be available immediately when a task arises, especially where, as here, the RFP contains numerous distinct services to be performed on a large number of housing units in three separate geographical areas. Our review of the protester's proposal and the government's manning estimate shows that Madison's proposed staffing (which is [deleted] percent lower than the agency estimate) is substantially lower than the agency's estimate in several material areas (e.g., regarding U-Fix-It store, plumber, electrician, and general maintenance work).

Madison argues that, notwithstanding the agency's risk concern regarding the staffing level, in light of the protester's successful past performance of substantially similar contracts, a low proposal risk rating would have been justified. The protester essentially contends that since the agency found that its proposal reflected low performance risk (under the performance factor), the agency must also find that the proposal offers low proposal risk as well.

The record is clear, however, that separate and independent risk assessments under the technical/management and performance evaluation factors were to be conducted, and that under the terms of the RFP, performance history was not a significant factor in the proposal risk analysis. Thus, while [deleted] staff may have been acceptable from a technical evaluation standpoint, the agency was not precluded from evaluating potential risks of performance resulting from the proposed staffing level. We agree with the agency that it need not accept Madison's

¹Contrary to Madison's generally stated objections to the accuracy of the government's manning estimate, the record, in our view, supports the reasonableness of the estimate in light of the performance requirements of the RFP. Although Madison notes that there has been some recent housing renovations at the base, the agency reasonably points out that these renovated properties will not be maintenance free and that the high corrosion of properties in this geographical region requires constant maintenance as provided in the RFP. The record also shows that the agency did not mechanically apply its manning estimate to proposals for evaluation purposes, but properly considered the proposed manning in terms of the RFP requirements and each offeror's proposed approach to meeting those requirements.

general promise of successful performance in evaluating proposal risk under the terms of the RFP; the RFP simply did not contemplate substantial reliance on past performance in making the independent proposal risk assessment.² We think the moderate proposal risk rating reasonably reflects the evaluators' legitimate concerns in its independent assessment of the probability of success of the proposed approach in accordance with the stated RFP evaluation scheme. Proteus Corp.; United Int'l Eng'g. Inc., B-270094; B-270094.2, Feb. 8, 1996, 96-1 CPD ¶ 165; JB Indus., B-251118.2, Apr. 6, 1993, 93-1 CPD ¶ 297.³

²The evaluation subfactor for manning was included in the RFP to assess the sufficiency of proposed personnel to accomplish the contract requirements. In this regard, we see nothing improper in the evaluators having noted that Baker's manning exceeds the agency estimate, without assessing a weakness, as the protester contends was required, to the awardee's proposed approach. Baker, in the exercise of its own business judgment, proposed a larger number of personnel and, in doing so, accepted the possibility that such approach might render its proposal noncompetitive as to cost.

³Madison objects to the agency's having rated Baker's and Madison's proposals the same for performance risk on the basis that Baker has not performed the same number or type of similar contracts that Madison has performed. The record shows that Madison's proposal was favorably evaluated and credited for the firm's performance of its prior contracts. Although Baker's housing maintenance experience appears as part of a larger scope of work under that firm's prior contracts, the experience cited by the awardee in its proposal, for which the firm received excellent reference reports, is substantial, relevant, and, we believe, reasonably warranted a low risk performance rating. Madison also challenges the agency's evaluation of Baker's financial resources, another subfactor of the performance risk assessment, since Baker's proposal offers the substantial financial resources of its parent corporation without documentation of a binding commitment from the parent corporation. The RFP requested "evidence" of such resources. In comparison, Madison's proposal contains the following "evidence" of financial resources: numerous self-serving statements that the protester has adequate financial resources to perform the contract; a letter from its bank stating that the bank would "look favorably" upon a credit request (which letter cannot be considered to be a binding commitment from the bank); and a letter from Madison's accountant stating that, in his opinion (but without providing any balance sheet or current financial data), Madison has adequate financial resources to perform the contract. In our opinion, the protester itself failed to include in its proposal the kind of specific documentation or more probative proof of financial resources that it contends is required of Baker. Prejudice is a viable element of any protest challenge, and since, in our opinion, Madison similarly benefited from the agency's
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The Cost/Technical Tradeoff

Agencies have the discretion, in making their source selection decisions, to trade cost savings for technical benefits, with that discretion constrained only by the requirement that the agency's determination be rational and consistent with the solicitation's evaluation criteria. Picker Int'l, Inc., *supra*; Grey Advertising, Inc., 55 Comp. Gen. 1111 (1976), 76-1 CPD ¶ 169. Here, focusing on the low proposal risk and performance risk ratings of the Baker proposal, and his determination that no lower cost proposal was found to have as many "meaningful qualitative additions," the SSA determined that Baker's proposal was worth the \$[deleted] million cost premium over Madison's lowest cost proposal and selected Baker for award.⁴

We see nothing inappropriate with the SSA's determination. As discussed above, the moderate proposal risk rating assigned to Madison's proposal is reasonable and provides a meaningful discriminator between the Baker and Madison proposals. As to Madison's allegations of unequal or unfair treatment in the technical evaluation of its proposal and the listing of noted strengths among the proposals, we have reviewed in detail the evaluators' lists of strengths and weaknesses, as well as the Madison and Baker proposals, and we see no impropriety that justifies disturbing the award. Although, as Madison points out, there are a few instances where Baker's proposal was noted as having a particular strength for a proposed approach and Madison's proposal was not similarly noted as providing a strength, these evaluation discrepancies are minor when viewed in relationship to the many other additional material strengths found in the Baker proposal (e.g., regarding Baker's

³(...continued)

relatively relaxed evaluation of financial position, we deny this protest ground. See Picker Int'l, Inc., B-249699.3, Mar. 30, 1993, 93-1 CPD ¶ 275.

⁴To the extent Madison challenges that "meaningful qualitative additions" or "added value services" were not evaluation RFP factors and should not have been considered in the evaluation and source selection, Madison's contention is misplaced. The record clearly shows that the additions referred to in the source selection decision apply to the various strengths noted in each proposal and were appropriately used by the SSA as discriminating characteristics in his comparative evaluation of the relative merits of the proposals, and in making his determination of which proposal offered the best overall value to the government.

[deleted]) which the SSA reasonably believed enhanced the value of Baker's proposal and, in conjunction with the lower risk of the proposal, justified the cost premium involved. In short, the source selection decision is reasonably supported by the record.

The protest is denied.

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